

**PUBLIC DISCLOSURE**

AUGUST 16, 1999

**COMMUNITY REINVESTMENT ACT PERFORMANCE EVALUATION**

**BANK OF FALL RIVER, A CO-OPERATIVE BANK**

**30 BEDFORD STREET  
FALL RIVER, MA 02720**

**DIVISION OF BANKS  
ONE SOUTH STATION  
BOSTON, MA 02110**

<p><b>NOTE:</b> This evaluation is not, nor should it be construed as, an assessment of the financial condition of this institution. The rating assigned to this institution does not represent an analysis, conclusion or opinion of the Division of Banks concerning the safety and soundness of this financial institution.</p>
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## **GENERAL INFORMATION**

The Community Reinvestment Act (CRA) requires the Division of Banks (Division) to use its authority when examining financial institutions subject to its supervision, to assess the institution's record of meeting the needs of its entire local community, including low and moderate-income neighborhoods, consistent with safe and sound operation of the institution. Upon conclusion of such examination, the Division must prepare a written evaluation of the institution's record of meeting the credit needs of its community.

This document is an evaluation of the Community Reinvestment Act (CRA) performance of BANK OF FALL RIVER, A CO-OPERATIVE BANK prepared by the Massachusetts Division of Banks, the institution's supervisory agency.

### **INSTITUTION'S CRA RATING: This institution is rated "Outstanding"**

The bank's overall rating of outstanding is based upon the five performance criteria shown in this report. The bank's net loan-to-deposit ratio has averaged 95.1% for the period September 30, 1997, to June 30, 1999 and is considered to exceed the standards for satisfactory performance. A review of the bank's origination of residential mortgage and home improvement loans from January 1, 1998, through year-to-date July 31, 1999, revealed that a vast majority was extended within the bank's assessment area. A review of loans to borrowers of different income levels reveals the bank's willingness to lend to borrowers of all income levels, particularly to those of low and moderate-income. In addition, the bank's lending performance, when compared to other HMDA reporters for 1997 was favorable. A review of the geographic distribution of loans among the various census tracts contained in the bank's assessment area revealed that originations are reasonably disbursed. In addition, loans in the low and moderate-income tracts are greater than the make-up of the assessment area and exceed all other HMDA reporters in its area for 1997. No CRA-related complaints have been received since the last examination. The fair lending examination revealed no evidence of discriminatory acts or practices.

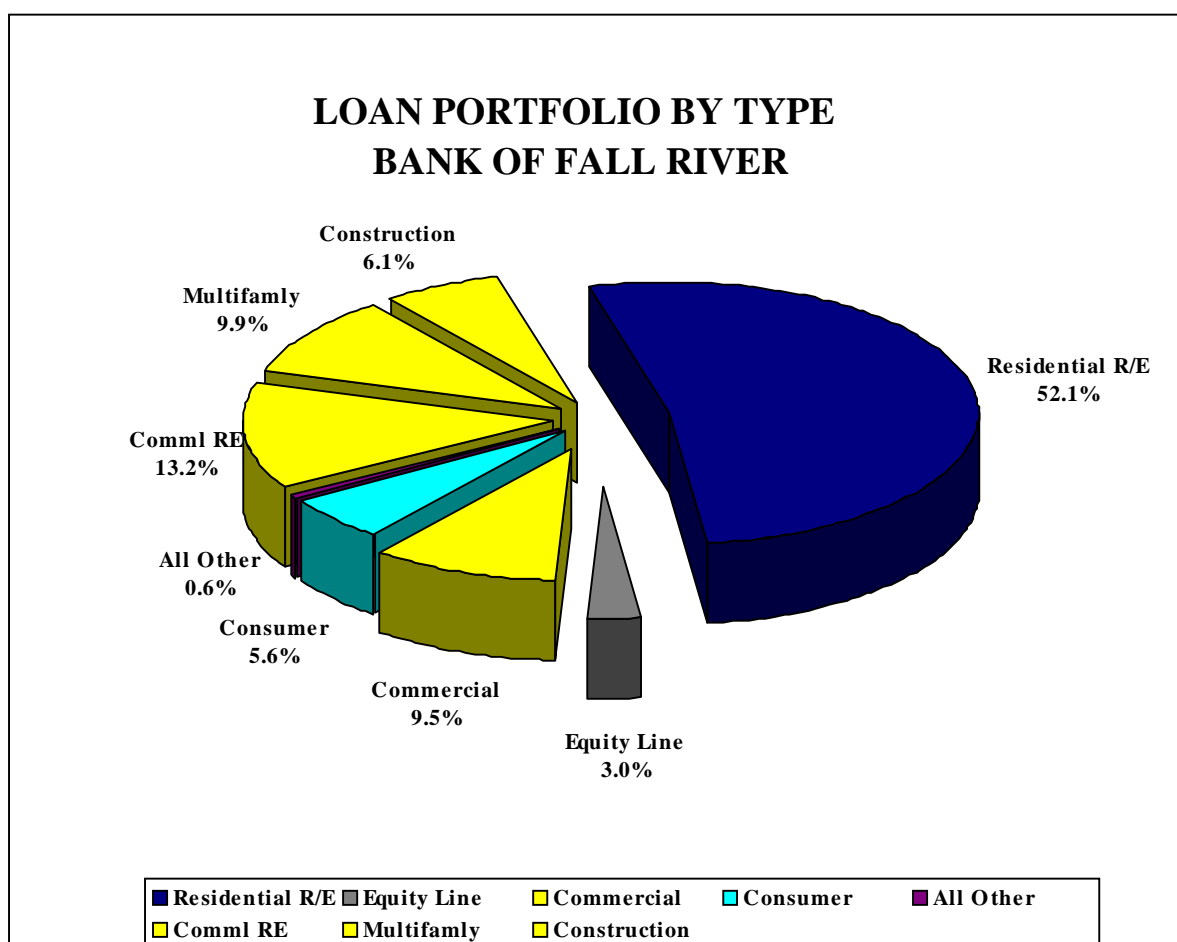
## **PERFORMANCE CONTEXT**

## Description of Institution

Bank of Fall River, a Co-operative Bank is a state-chartered mutually owned co-operative bank, incorporated under the laws of the Commonwealth of Massachusetts in 1888. The bank is headquartered in Fall River, Massachusetts, with three full service branches located in the City of Fall River and the Towns of Dighton and Fairhaven. Three branches have Automated Teller Machines (ATMs). There are no surcharges for the use of the bank's ATMs. Hours of operation are convenient and include extended hours on Thursday, Friday and Saturday mornings at all branches.

As of June 30, 1999, Bank of Fall River had total assets of \$87,437,000, 82.2% of which were in the form of loans. Of these, 52.1% were 1-4 family residential loans, 13.2% were commercial real estate loans, 9.9% were loans for multifamily properties and 9.5% were commercial loans. The remaining loan portfolio consists of construction loans, consumer loans, home equity lines of credit, second mortgage loans and agricultural loans.

Refer to the following table for a breakdown of the bank's loan portfolio.



The bank has a CRA Committee made up of the President/CEO, a Senior Vice President, three Assistant Vice Presidents, an Assistant Treasurer, three Branch Managers, an Account Executive and one Director. The CRA committee meets semi-annually and discussions are held on all CRA related issues from the prior six months and any future actions to be taken.

The bank participates in the "Adopt-A-School" and "Savings Make Cents programs. Twice a month, a bank day is held at the Belise School in Fall River and the Dighton Elementary School. Two employees from the bank visit each school to accept deposits from the children. In addition, a representative from the bank visits each school regularly to teach a class on banking.

Bank of Fall River operates in a very competitive market. Local competitors include but are not limited to the following: First Federal Savings Bank of America, Compass Bank for Savings, Saint Anne's Credit Union, Fleet National Bank, Fall River Five Cents Savings Bank, as well as representatives of numerous regional and national mortgage companies. The market influence from these institutions appears to be significant, and as a result, serves to keep the bank's rates and services offered competitive.

The FDIC last examined the bank for compliance with the Community Reinvestment Act on June 15, 1998. That examination resulted in an Outstanding rating.

### **Description of Assessment Area**

The Community Reinvestment Act (CRA) requires financial institutions to define an assessment area within which its CRA performance will be evaluated. The bank's assessment area contains 11 cities and towns located in the Providence-Fall River-Warwick, RI-Ma, New Bedford and Boston MSAs. The Office of Management and Budget establishes MSAs for statistical reporting purposes by federal agencies.

Bank of Fall River's assessment area consists of the following cities and towns:

- Prov-Fall River-Warwick, RI-Ma MSA: the City of Fall River and the towns of Somerset, Swansea and Westport in Massachusetts. In addition, the Town of Tiverton, Rhode Island is included in this portion of the bank's assessment area.
- New Bedford MSA: the City of New Bedford and the towns of Dartmouth and Fairhaven.
- Boston MSA: the City of Taunton and the Towns of Berkley and Dighton.

The assessment area is comprised of 85 census tracts, of which 2 or 2.4% are designated as low-income; 34 or 40.0%, as moderate-income; 43, or 50.6%, as middle-income; 3 or 3.5%, as upper-income, and 3 or 3.5% with no income designation. Fall

River and New Bedford contain the most census tracts, including the 2 low-income census tracts and 29 of the moderate-income census tracts. The 5 remaining moderate-

income census tracts are located in Taunton. The 3 census tracts with no income designation are #6518.99 (A ship) in New Bedford, #6134.00 (Golf Course & State Hospital) in Taunton, and #6442.99 (The Brayton Point Power Plant) in Somerset.

Refer to the following tables for further information.

<b>CENSUS TRACTS BY INCOME WITHIN ASSESSMENT AREA</b>					
<b>PROV-FALL RIVER-WARWICK RI MSA*</b>					
<b>CITY/TOWN</b>	<b>LOW</b>	<b>MODERATE</b>	<b>MIDDLE</b>	<b>UPPER</b>	<b>TOTAL</b>
Fall River	1	16	7	1	25
Somerset	0	0	2	0	2
Swansea	0	0	1	0	1
Westport	0	0	1	0	1
Tiverton, R.I.	0	0	3	0	3
<b>Total MSA</b>	<b>1</b>	<b>16</b>	<b>14</b>	<b>1</b>	<b>32</b>

\*Based on 1993 % MSA Median Family Household Income.

<b>CENSUS TRACTS BY INCOME WITHIN THE ASSESSMENT AREA</b>					
<b>NEW BEDFORD MSA*</b>					
<b>CITY/TOWN</b>	<b>LOW</b>	<b>MODERATE</b>	<b>MIDDLE</b>	<b>UPPER</b>	<b>TOTAL</b>
New Bedford	1	13	16	1	31
Dartmouth	0	0	2	1	3
Fairhaven	0	0	4	0	4
<b>Total</b>	<b>1</b>	<b>13</b>	<b>22</b>	<b>2</b>	<b>38</b>

\*Based on 1993 % MSA Median Family Household Income.

CENSUS TRACTS BY INCOME WITHIN ASSESSMENT AREA					
BOSTON MSA*					
CITY/TOWN	LOW	MODERATE	MIDDLE	UPPER	TOTAL
Taunton	0	5	5	0	10
Dighton	0	0	1	0	1
Berkley	0	0	1	0	1
<b>Total</b>	<b>0</b>	<b>5</b>	<b>7</b>	<b>0</b>	<b>12</b>

\*Based on 1993 % MSA Median Family Household Income.

According to 1990 Census Data, the average median home value in the assessment area was \$138,000. The median home values range from a low of \$115,900 in New Bedford, to a high of \$153,800 in Berkley. The average owner-occupancy rate was 71.2%. Fall River had the lowest rate at 33.0% and Berkley had the highest at 91.8%. The 1995 HUD estimated median family income for the assessment area was \$42,200. New Bedford had the lowest income at \$30,600 and Berkley had the highest income at \$50,100. The above information does not include Tiverton, R. I. for which information is not available.

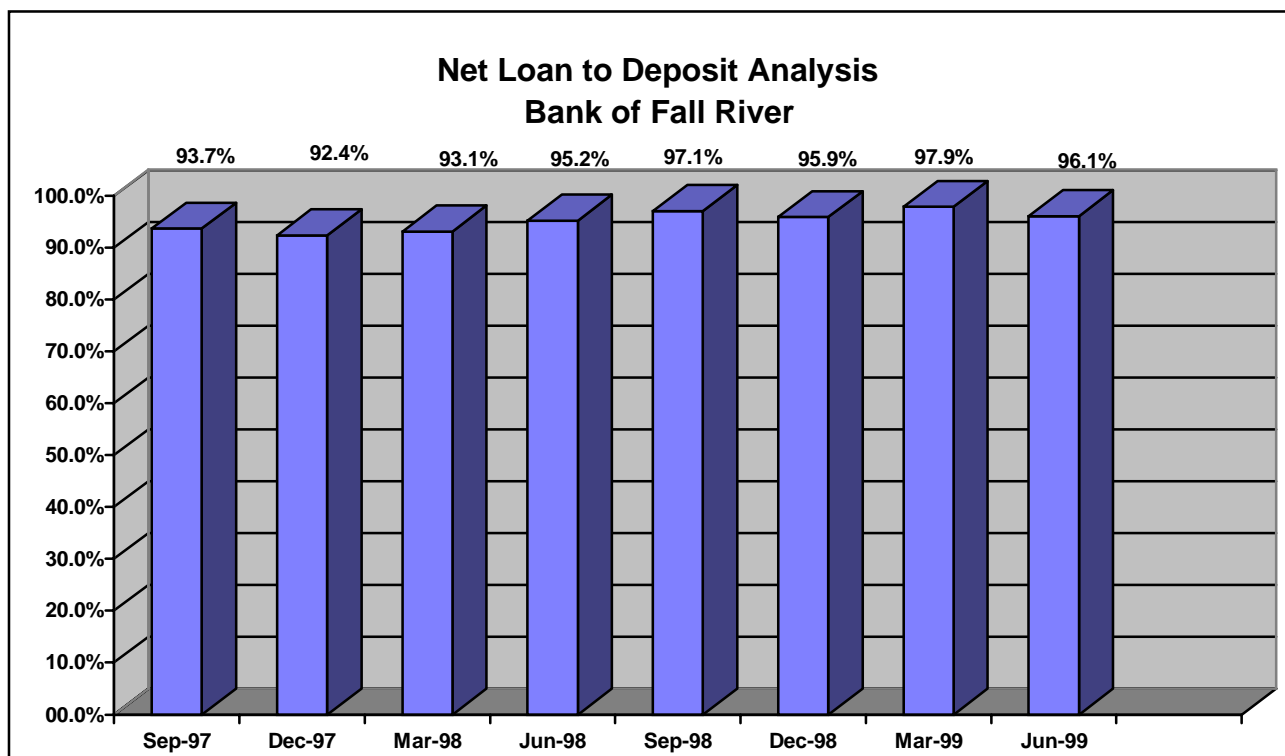
## **PERFORMANCE CRITERIA**

### **1. LOAN TO DEPOSIT ANALYSIS**

An analysis of Bank of Fall River's net loan to deposit ratio was performed during the examination. The calculation incorporated eight quarters of the bank's net loan to total deposit figures utilizing the FDIC quarterly call reports. This review included the quarters ending September 30, 1997, through June 30, 1999.

The institution's average loan to deposit ratio during the period under examination was determined to be 95.1%. The ratio has fluctuated from a low of 92.4% on December 31, 1997 to a high of 97.9% on March 31, 1999. The overall increase can be attributed to the growth in net loans being greater than the growth in deposits for the period under review.

The following graph illustrates the bank's Net Loan to Deposit ratios.



The bank's net loans and leases as a percent of deposits, as reported in the March 31, 1999, Uniform Bank Performance Report (UBPR), was 97.9 percent. The peer group's net loan to deposit ratio was 75.9 percent. The bank's ratio is substantially higher than peer, however, it should be noted that the UBPR determines a peer ratio based on similarly sized banks nationwide without regard to regional or state differences.

Based on the above information and Bank of Fall River's capacity to lend, the strong competition from other institutions in the assessment area, demographic and economic factors present in the assessment area, and the lending opportunities available in the assessment area, the bank's loan to deposit ratio exceeds the standards for satisfactory performance.

## **2. COMPARISON OF CREDIT EXTENDED INSIDE AND OUTSIDE OF THE ASSESSMENT AREA(S)**

Data regarding the bank's residential mortgage lending activity for 1998 and year-to-date July 31, 1999 was reviewed to determine the proportion of loans within the assessment area by number of originations. Mortgage lending data was obtained from the bank's Loan Application Register (LAR) filed under the provisions of the Home Mortgage Disclosure Act (HMDA).

The bank originated 219 HMDA reportable loans during the current examination period. The majority of these loans were for purchase mortgages or refinances. A total of 194 loans or 85.5% were originated within the bank's assessment area.

Refer to the following table for further information.

**RESIDENTIAL LENDING ACTIVITY BY NUMBER**

	<b>1998</b>		<b>Y-T-D 1999</b>		<b>TOTALS</b>	
<b>LOCATION</b>	<b>#</b>	<b>%</b>	<b>#</b>	<b>%</b>	<b>#</b>	<b>%</b>
Fall River	44	34.4	27	29.6	71	32.3
New Bedford	11	8.6	19	20.9	30	13.7
Dartmouth	10	7.8	7	7.7	17	7.8
Dighton	8	6.3	6	6.6	14	6.4
Westport	10	7.8	4	4.4	14	6.4
Fairhaven	7	5.5	5	5.5	12	5.5
Somerset	6	4.7	6	6.6	12	5.5
Taunton	6	4.7	3	3.3	9	4.1
Berkley	4	3.1	1	1.1	5	2.3
Swansea	3	2.3	2	2.2	5	2.3
Tiverton	4	3.1	1	1.1	5	2.3
INSIDE ASSESSMENT AREA	113	88.3	81	89.0	194	88.6
OUTSIDE ASSESSMENT AREA	15	11.7	10	11.0	25	11.4
<b>TOTALS</b>	<b>128</b>	<b>100.0</b>	<b>91</b>	<b>100.0</b>	<b>219</b>	<b>100.0</b>

Source: 1998 & year-to-date 7-31-99 HMDA/LAR

The bank's loan data for 1998 and year-to-date July 31,1999, was also reviewed for residential loan originations by dollar amount. The review revealed that the bank originated \$20,804,000 in residential mortgage loans during this time frame. Of this total, 85.5% were originated within the bank's assessment area.

Refer to the following table for additional information.

**RESIDENTIAL LENDING ACTIVITY BY DOLLAR AMOUNT**

	<b>1998</b>	<b>Year-to-Date 1999</b>	<b>TOTALS</b>
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	1998		Year-to-Date 1999		TOTALS	
LOCATION	\$(000)	%	\$(000)	%	\$(000)	%
Fall River	4,085	32.2	2,165	26.5	6,250	30.0
Dartmouth	1,153	9.1	908	11.2	2,061	9.9
New Bedford	718	5.7	1,254	15.4	1,972	9.5
Westport	1,235	9.8	574	7.1	1,809	8.7
Somerset	715	5.6	579	7.1	1,294	6.2
Dighton	722	5.7	537	6.6	1,259	6.1
Fairhaven	620	4.9	440	5.4	1,060	5.1
Taunton	502	4.0	130	1.6	632	3.0
Tiverton	431	3.4	106	1.3	537	2.6
Berkley	364	2.9	170	2.1	534	2.6
Swansea	268	2.1	102	1.3	370	1.8
INSIDE ASSESSMENT AREA	10,813	85.4	6,965	85.6	17,778	85.5
OUTSIDE ASSESSMENT AREA	1,852	14.6	1,174	14.4	3,026	14.5
<b>TOTALS</b>	<b>12,665</b>	<b>100.0</b>	<b>8,139</b>	<b>100.0</b>	<b>20,804</b>	<b>100.0</b>

Source: LAR data 1998 & year-to-date July 31, 1999

Based on the above information, it is evident that a substantial majority of residential mortgage originations have been extended inside the bank's assessment area. Therefore, the bank is considered to exceed the standards for satisfactory performance in this category.

### 3. DISTRIBUTION OF CREDIT AMONG DIFFERENT INCOME LEVELS

The bank's residential loans were further analyzed to determine the distribution of lending by borrower income level. The borrowers' reported incomes were compared to the median family incomes for the Providence-Fall River Warwick RI-MA, New Bedford and Boston Metropolitan Statistical Area (MSA), depending on the location of the property. These income figures are based on estimated Department of Housing and Urban Development (HUD) income information. Refer to the following table for a breakdown of the estimated 1998 and 1999 HUD information.

<b>MSA</b>	<b>1998</b>	<b>1999</b>
Boston	\$60,000	\$62,700
New Bedford	\$40,900	\$42,100
Providence-Fall River-Warwick RI-MA	\$46,900	\$48,100

Low income is defined by the US Census Bureau as income below 50 percent of the median family income level for the MSA; moderate income is defined as 50 to 79 percent of the median family income; middle income is defined as income between 80 and 119 percent of the median family income; and upper income is defined as income greater than 120 percent of the median family income.

The following tables show the number and dollar amount of HMDA-reportable loans granted to low, moderate, middle and upper-income borrowers in comparison to the number of family households in the assessment area in each respective income group.

**Distribution of HMDA-Reportable Loans Within the Assessment Area to Borrowers of Different Income Levels by Number of Loans**

<b>Borrower</b>	<b>Family Households</b>		<b>1998</b>		<b>1999-YTD</b>		<b>Total</b>	
<b>Income Level</b>	<b>#</b>	<b>%</b>	<b>#</b>	<b>%</b>	<b>#</b>	<b>%</b>	<b>#</b>	<b>%</b>
< 50%	1,449	1.1	12	10.7	7	8.6	19	9.8
50 - 79%	51,012	39.3	25	22.1	19	23.5	44	22.7
80 - 119%	72,447	55.7	37	32.7	23	28.4	60	30.9
> = 120%	5,111	3.9	39	34.5	22	27.2	61	31.4
NA	30	0.0	-	-	10	12.3	10	5.2
Total	130,049	100.0	113	100.0	81	100.0	194	100.0

Source: HMDA/LAR Data for the period 1/1/98 to 7/31/99.

**Distribution of HMDA-Reportable Loans Within the Assessment Area to Borrowers of Different Income Levels by Dollar Amount**

<b>Borrower</b>	<b>Family Households</b>		<b>1998</b>		<b>1999-YTD</b>		<b>Total</b>	
<b>Income Level</b>	<b>#</b>	<b>%</b>	<b>\$</b>	<b>%</b>	<b>\$</b>	<b>%</b>	<b>\$</b>	<b>%</b>
< 50%	1,449	1.1	741	6.9	345	5.0	1,086	6.1
50 - 79%	51,012	39.3	1,824	16.9	1,091	15.7	2,915	16.4
80 - 119%	72,447	55.7	3,378	31.2	2,288	32.8	5,666	31.9
> = 120%	5,111	3.9	4,870	45.0	2,487	35.7	7,357	41.4
NA	30	0.0	-	-	754	10.8	754	4.2
Total	130,049	100.0	10,813	100.0	6,965	100.0	17,778	100.0

Source: HMDA/LAR Data for the period 1/1/98 to 7/31/99.

In 1998 and year-to-date July 31, 1999, the bank extended 19 loans totaling \$1,086,000 to low-income borrowers within its assessment area. These loans represent 9.8 percent of the number and 6.1 percent of the dollar amount respectively. This is well above the 1.1 percent of low-income households within the assessment area.

In addition, the bank extended 44 loans totaling \$2,915,000 to moderate-income borrowers, representing 22.7 percent by number and 16.4 percent by dollar amount of loans. The number of loans is below the 39.3 percent of moderate-income households within the assessment area.

The distribution of the bank's loans among various borrower income levels may also be compared to that of all other HMDA-reporting lenders in the assessment area. As previously mentioned, other HMDA-reporters include bank and non-bank entities such as large national banking companies, other local banks, credit unions and mortgage companies. The most recent data available for this analysis relates to calendar year 1997 and is presented in the following table.

**Lending Within the Assessment Area to Borrowers of  
Different Income Levels  
Bank of Fall River Compared to All Other HMDA-Reporters**

Borrower Income Level	Number of Loans				Dollar Amount of Loans			
	Bank of Fall River		All Other Reporters		Bank of Fall River		All Other Reporters	
	#	%	#	%	\$(000)	%	\$(000)	%
< 50%	5	6.1	515	6.3	271	4.0	23,638	3.3
50 – 79%	25	30.5	1,599	19.6	1,820	26.9	111,377	15.7
80 – 119%	29	35.4	2,499	30.7	2,293	33.8	210,233	29.5
> = 120%	21	25.6	2,375	29.1	2,083	30.7	250,676	35.2
NA	2	2.4	1,162	14.3	314	4.6	116,108	16.3
Total	82	100.0	8,150	100.0	6,781	100.0	712,032	100.0

Source: HMDA Data for the period 1/1/97 to 12/31/97.

The distribution of the bank's residential loans to low and moderate-income borrowers is favorable when compared to that of all other HMDA-reporters within the assessment area. As shown above, the bank's percentage of lending to borrowers of low and moderate-income is higher than that of the aggregate by both number and dollar amount for 1997. The bank originated 36.6 percent by number and 30.9 percent by dollar amount of the total loans within the assessment area to borrowers of low and moderate-income, compared to the aggregate with 25.9 percent by number and 19.0 percent by dollar amount. It should be noted that the amount of N/As of all other HMDA reporters might skew the figures somewhat.

The distribution of HMDA-reportable loans by borrower income demonstrates the bank's willingness to lend to borrowers of all income levels especially those of low and moderate-income. In addition, the bank's performance, when compared to aggregate is excellent. Therefore, the bank is considered to exceed the standards for a satisfactory performance in this category.

#### **4. GEOGRAPHIC DISTRIBUTION OF LOANS**

An analysis was conducted of the number and dollar amount of residential mortgage loans originated during 1998 and year-to date July 31, 1999 among the various census tracts contained in the bank's assessment area. The bank's assessment area contains 85 census tracts. Of these census tracts, 2 (2.4%) are low-income, 34 (40.0%) are moderate-income, 43 (50.6%) are middle-income, 3 (3.5%) are upper-income and 3 (3.5%) have no income designation. The 3 census tracts with no income designation were not used to evaluate the bank's performance in this category because of their extremely limited lending potential, as described in the performance context.

Refer to the following tables for additional information.

**Distribution of HMDA-Reportable Loans Within the Assessment Area by  
Census Tract Income Level by Number of Loans**

Census Tract Income Level	Owner-Occupied Properties		1998		Y-T-D 1999		Total	
	#	%	#	%	#	%	#	%
Low	248	0.3	2	1.8	1	1.3	3	1.5
Moderate	14,830	21.6	35	31.0	24	29.6	59	30.4
Middle	49,687	72.2	71	62.8	56	69.1	127	65.5
Upper	4,043	5.9	5	4.4	0	0.0	5	2.6
Total	68,808	100.0	113	100.0	81	100.0	194	100.0

Source: HMDA/LAR Data for the period 1/1/98 to Year-to-Date 7/31/99.

**Distribution of HMDA-Reportable Loans Within the Assessment Area by  
Census Tract Income Level by Amount of Loans**

Census Tract Income Level	Owner-Occupied Properties		1998		Y-T-D 1999		Total	
	#	%	\$	%	\$	%	\$	%
Low	248	0.3	251	2.4	60	0.8	311	1.7
Moderate	14,830	21.6	3,065	28.3	1,753	25.2	4,818	27.1
Middle	49,687	72.2	7,055	65.2	5,152	74.0	12,207	68.7
Upper	4,043	5.9	442	4.1	0	0.0	442	2.5
Total	68,808	100.0	10,813	100.0	6,965	100.0	17,778	100.0

Source: HMDA/LAR Data for the period 1/1/98 to Year-to-Date 7/31/99.

As shown in the above tables, 31.9 percent of the number and 28.8 percent of the dollar amount of total loans for 1998 and year-to-date 1999 were within low and moderate-income census tracts. This is higher than the 21.9 percent of the area's owner-occupied housing for low and moderate-income tracts. In addition, the above data shows that the amount and number of loans in middle and upper-income census tracts is closely proportional to the amount of owner-occupied properties in these areas.

The geographic distribution of the bank's loans by census tract classification may also be compared to that of all other HMDA-reportable lenders in the assessment area. Other HMDA-reporters include bank and non-bank entities such as large national

banking companies, other local banks, credit unions and mortgage companies. The most recent data available for this analysis relates to calendar year 1997 and is presented in the following table.

**Distribution of HMDA-Reportable Loans Within the Assessment Area by  
Census Tract Income Level  
Bank of Fall River Compared to All Other HMDA Reporters**

Census Tract Income Level	Number of Loans				Dollar Amount of Loans			
	Bank of Fall River		All Other Reporters		Bank of Fall River		All Other Reporters	
	#	%	#	%	\$(000)	%	\$(000)	%
Low	1	1.2	26	0.3	25	0.4	1,634	0.2
Moderate	31	37.8	1,649	20.2	2,375	35.0	128,106	18.0
Middle	49	59.8	6,003	73.7	4,199	61.9	522,103	73.3
Upper	1	1.2	471	5.8	182	2.7	60,177	8.5
NA	0	0.0	1	0.0	-	-	12	0.0
Total	82	100.0	8,150	100.0	6,781	100.0	712,032	100.0

Source: HMDA/LAR Data for the period 1/1/97 to 12/31/97.

As demonstrated above, the percentage of the bank's lending activity in low and moderate-income census tracts, by number and dollar, exceeds that of the aggregate. The percentage of Bank of Fall River's lending activity in low and moderate-income census tracts was 39.0 percent by number and 35.4 percent by dollar amount in 1997. In comparison, the aggregate originated 20.5 percent by number and 18.2 percent by dollar amount in low and moderate-income census tracts.

Based on the above information the bank is considered to have an excellent geographic distribution of loans in its assessment area and is found to exceed the standards for a satisfactory performance.

## **5. REVIEW OF COMPLAINTS/FAIR LENDING**

### **REVIEW OF COMPLAINTS**

Bank of Fall River has not received any complaints regarding its CRA performance since the previous examination.

### **FAIR LENDING POLICIES AND PRACTICES**

Bank of Fall River has a formal Fair Lending Policy, which is reviewed by the Board of Directors annually.

Detailed below are the bank's fair lending policies and practices as they correlate to the guidelines established by Regulatory Bulletin 2.3-101, the Division's Fair Lending Policy.

## **STAFF TRAINING**

As mentioned in the bank's Fair Lending policy, the bank recognizes training as a critical component in combating discrimination in lending. Through internal educational programs, employees are instructed regarding Fair Lending Laws. Internal training is enhanced by providing for employee training regarding changes in applicable laws, underwriting procedures, through seminars and conferences sponsored by outside organizations including the Massachusetts Bankers Association (MBA), The Massachusetts Bankers Fair Lending Initiative (MBFLI), the Community Bank League, the Federal National Mortgage Association (Fannie Mae), the Bank Administration Institute, and Professional Bank Services.

Under the bank's Fair Lending Policy, the bank's Compliance Officer is required to maintain an up-to-date knowledge of the Fair Lending Laws, to regularly participate in relevant educational opportunities whenever possible, and to schedule training and re-training sessions for all lending staff whenever appropriate.

The bank conducted fair lending training sessions on May 13, 1998 and February 17, 1999.

These sessions were attended by various bank personnel, however not all of the bank's personnel were present at these sessions. The sessions included the viewing of two videos and discussions of their contents.

In addition, all new employees are required to view these videos as part of the orientation process.

## **STAFF COMPOSITION AND COMPENSATION**

As of August 19, 1999, the bank's staff consisted of 44 full and part-time employees. Many of the bank's staff are bilingual with 22 people speaking Portuguese, one speaking French and one speaking Spanish.

As part of the Fair Lending Policy, the bank advertises available positions in major newspapers, including bi-lingual notices in appropriate publications, so as to reach the largest portion of the bank's community. In addition, the bank solicits employee referrals from several job-training centers for low and moderate-income participants, including SER Jobs for Progress in Fall River.

Lending personnel are not compensated on a commission basis. Therefore, they are not encouraged to originate large loans at the expense of smaller loans, which may be in a low and moderate-income area or to lower income individuals.

## **OUTREACH**

The bank ascertains community credit needs through its support and involvement in community organizations. Through these involvements, the bank's staff lends their technical expertise, experience and judgment to these organizations. Detailed below is Bank of Fall River's community services.

The President/CEO Chairs the Finance Committee of the United Way of Greater Fall River. The Senior Vice President and Senior Loan Officer sit on the Loan Committee of the New Bedford Economic Development Corporation.

An Assistant Vice President and Commercial Loan Officer sits on the Advisory Board of the Enterprise Fund. The Enterprise Fund is a regional loan pool administered by the South Eastern Economic Development Corporation (SEED), a CDC located in Taunton.

An Assistant Vice President is a Board member of SEED and also is a member of Downtown New Bedford, Inc. This organization is involved in granting loans to help fund viable businesses and real estate projects in Downtown New Bedford and to encourage economic development within the downtown area.

A Branch Manager is on the Board of the Portuguese Business Association (PBA). This organization assists small businesses (some owned by Portuguese descendents) by conducting seminars and workshops on various business-related issues. In addition, it holds events celebrating dates or issues pertaining to the Portuguese community.

The bank's staff is involved with several Chambers of Commerce throughout the bank's assessment area. The bank maintains a close relationship with the Fall River Affordable Housing Corporation (FRAHC). The bank participated in several loans, which have put low and moderate-income, minority, and single female heads of households into rehabilitated housing. The bank's staff regularly participates in FRAHC's first-time homebuyer education programs, in various capacities, including performing pre-qualifications, appearing as guest speakers, or as a member of a panel discussion.

During the recent closure of a credit union in Fall River, the bank opened its doors at the Pleasant Street branch in order to provide translations of the NCUA notices for the largely Portuguese speaking clients of the closed credit union. The bank committed to re-write any credit union loan on the same terms and with the same rate and collateral as the credit union. The bank rewrote 15 loans as a result of the Sunday opening.

## **CREDIT PRODUCTS AND UNDERWRITING STANDARDS**

The bank offers a first-time homebuyers product with no points, no closing costs, no application fees and no appraisal fees. Terms of the loans are 15 to 30 years and up to 95 percent of the property may be financed with the purchase of private mortgage insurance (PMI). The bank also offers another first-time homebuyer program, which features financing up to 97 percent with reduced closing costs.

The bank participates with H.O.M.E (Homeowner Options for Massachusetts Elders) to make reverse mortgages and senior home equity lines of credit.

The bank offers personal loans with dollar amounts as low as \$500 to low and moderate-income customers.

The bank's Fair Lending Policy addresses the use of compensating factors in order to make credit available to applicants who would normally not qualify under standard underwriting criteria. Such compensating factors include flexible debt-to-income ratios, lower downpayments, non-conventional sources to establish an applicant's willingness and ability to pay debt, and an applicant's ability to maintain income levels through secondary sources. The policy also stresses that these compensating factors be applied without regard to sex, race, or ethnicity.

## **MARKETING**

The marketing strategy of Bank of Fall River appears to adequately reach all segments of its assessment area. Print media is the primary method used to advertise the bank's products and services. The bank advertises regularly in newspapers and publications serving its assessment area. The following are the print media being utilized: The Fall River Herald News, a daily publication serving the Fall River area; The Taunton Gazette, a daily publication serving the Taunton area; The New Bedford Standard Times, a daily publication serving the New Bedford area; The Portuguese Times and O Jornal, weekly publications serving the Portuguese Communities throughout the bank's assessment area. In addition, the bank advertises in weekly and monthly publications, such as, The Southcoast Insider, The Wanderer, Fleming Group, Ltd. (a homebuyers guide), Business News, several Chambers of Commerce publications and Church Bulletins.

In addition, the bank periodically advertises on local radio stations WSAR, WHTB (a Fall River Portuguese station) and WJFD (a New Bedford Portuguese station) that cover various markets located within the assessment area.

## **CREDIT EDUCATION**

On March 15,16,17, 1999, the bank participated in the Fall River Affordable Housing Corporation's (FRAHC) Home Counseling Seminar. Bank personnel presented "Obtaining a mortgage", a discussion of the loan process from application to closing.

The bank's staff regularly participates in FRAHC's first-time homebuyer education programs, in various capacities, including performing pre-qualifications, appearing as guest speakers, or as a member of a panel discussion.

On March 5, 1999, the bank participated with four other area financial institutions in a free seminar for Fall River area senior citizens entitled "Successful Aging In Place". Issues discussed included: Credit and Financial Information; Legal Issues; Estate Planning; Home Repair; Elder Resources and Prevention and Protection.



## COUNSELING

Employees in the Loan Servicing department provide counseling services to delinquent customers and assist them in working out their credit problems. The bank also refers customers who are in need of credit counseling to the appropriate credit counseling services.

## SECOND REVIEW PRACTICES

The bank has a formal second review process, which requires that all mortgage applications facing adverse action be reviewed by a committee consisting of the Compliance Officer, the President and the Senior Mortgage Underwriter. The review shall include completion of the denied loan checklist, which was developed by the Fair Lending and Affordable Housing Committee of the Massachusetts Mortgage Bankers Association.

## INTERNAL CONTROL PROCEDURES

As part of its internal control procedures the bank has its regular outside auditor perform a comparative analysis of the bank's loan files as they relate to Fair Lending and Regulation B.

## MINORITY APPLICATION FLOW

Bank of Fall River's assessment area contains a total population of 342,619 individuals, 24,692 or 7.2% of whom are minorities. The assessment area's minority population is 0.2% Native American, 0.5% Asian, 1.6% Black, 3.0% Hispanic and 1.9% Other.

HMDA reportable applications received from minority applicants from within the assessment area during 1998 and year-to-date July 31, 1999 were reviewed using CRA Wiz PCI Services, Inc.

Refer to the following table for additional information.

### MINORITY APPLICATION FLOW

	1998		YTD 1999		TOTALS	
RACE	#	%	#	%	#	%
Native American	0	0.0	2	1.8	2	0.7
Asian	1	0.6	1	0.9	2	0.7
Black	0	0.0	0	0.0	0	0.0
Hispanic	0	0.0	0	0.0	0	0.0
Joint Race	2	1.3	1	0.9	3	1.2
Other	0	0.0	0	0.0	0	0.0
<b>TOTAL</b>	<b>3</b>	<b>1.9</b>	<b>4</b>	<b>3.6</b>	<b>7</b>	<b>2.6</b>

<b>MINORITY</b>						
No Information	0	0.0	1	0.9	1	0.4
White	158	98.1	104	95.5	262	97.0
<b>TOTAL APPLICATIONS</b>	<b>161</b>	<b>100.0</b>	<b>109</b>	<b>100.0</b>	<b>270</b>	<b>100.0</b>

SOURCE - CRA Wiz 1998 and Year-to-Date July 31, 1999

According to the above data, the bank received a total of 7 applications from minority applicants, which represented 2.6 percent of all applications. Of these applications, 1.2% percent were from applicants of joint race, while 0.7 percent were from Asian applicants, and 0.7 percent from Native Americans.

Aggregate information for 1997 indicated that of the 11,597 HMDA-reportable applications received by all other lenders within the bank's assessment area, 5.3% were from minorities: 0.2% from Native Americans, 0.3% from Asians, 1.2% from Blacks, 1.1% from Hispanics, 1.2% Joint applicants, and 1.3% from Other Minorities. In comparison, the bank received 119 applications during the same period. Of these, 1.6% were from minorities: 0.8% from Blacks and 0.8% from Joint applicants.

According to the above data, the bank is not attracting minority applicants at a rate that is consistent with its demographics and falls behind all other HMDA reporters in its assessment area.

## CONCLUSION-FAIR LENDING

Bank of Fall River's record of implementing and developing fair lending policies and practices meets the standards for satisfactory performance. This is based on the bank's efforts to provide credit education to prospective mortgage applicants through support of first time home buyer seminars; efforts to promote consumer credit counseling; implementation of second review and internal control procedures; and efforts to offer a variety of credit products to meet the needs of different segments of the population.

# THE COMMONWEALTH OF MASSACHUSETTS

To the COMMISSIONER OF BANKS:

THIS IS TO CERTIFY, that the report of examination of the

## **Bank of Fall River**

for compliance with applicable consumer and fair lending rules and regulations and the Community Reinvestment Act (CRA), as of the close of business **August 16, 1999**, has been read to or by the undersigned and the matters referred to therein will have our immediate attention.

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A majority of the Board of Directors/Trustees

Dated at \_\_\_\_\_ this \_\_\_\_\_ day of \_\_\_\_\_ 19 \_\_\_\_

# PERFORMANCE EVALUATION DISCLOSURE GUIDE

Massachusetts General Laws Chapter 167, Section 14, as amended, and the Uniform Interagency Community Reinvestment Act (CRA) Guidelines for Disclosure of Written Evaluations require all financial institutions to take the following actions within 30 business days of receipt of the CRA evaluation of their institution:

- 1) Make its most current CRA performance evaluation available to the public;
- 2) At a minimum, place the evaluation in the institution's CRA public file located at the head office and at a designated office in each local community;
- 3) Add the following language to the institution's required CRA public notice that is posted in each depository facility:

"You may obtain the public section of our most recent CRA Performance Evaluation, which was prepared by the Massachusetts Division of Banks, at (Address at main office)."

[Please Note: If the institution has more than one local community, each office (other than off-premises electronic deposit facilities) in that community shall also include the address of the designated office for that community.]

- 4) Provide a copy of its current evaluation to the public, upon request. In connection with this, the institution is authorized to charge a fee which does not exceed the cost of reproduction and mailing (if applicable).

The format and content of the institution's evaluation, as prepared by its supervisory agency, may not be altered or abridged in any manner. The institution is encouraged to include its response to the evaluation in its CRA public file.